

SENATE BUDGET COMMITTEE

KENT CONRAD, CHAIRMAN

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CONRAD CALLS ON BUSH ADMINISTRATION TO EXPLAIN HOW IT PLANS TO PAY FOR DEFENSE INCREASE WITHOUT USING MEDICARE AND SOCIAL SECURITY TRUST FUNDS

Washington, DC - Senate Budget Committee Chairman Kent Conrad today called on the Bush Administration to explain how it plans to pay for its requested increase in defense spending without using the Medicare and Social Security Trust Funds. Conrad's remarks came as the Budget Committee heard testimony from Deputy Defense Secretary Paul Wolfowitz on the Administration's additional defense request and its impact on the budget.

"While I am in favor of a defense increase, I would like to know how the Bush Administration plans to pay for its request without dipping further into the people's Medicare and Social Security Trust Funds," said Conrad. "We can already see that the combination of the tax cut, the Republican-drafted budget, and the expected downward revision of the surplus will likely result in a raid on the Medicare Trust Fund this year and the Medicare and Social Security Trust Funds next year. The President's defense request will just make those raids worse."

The Senate Budget Committee has calculated that the government will need to use \$17 billion of the Medicare Trust Fund in 2001 to fund other government services. In 2002, with the prospect of an even larger revenue shortfall, the government may need to use the entire \$38 billion Medicare Trust Fund surplus, as well as \$4 billion of the Social Security Trust Fund surplus. These incursions will be even deeper once we take into account the additional defense spending requested by the Administration, as well as additional resources likely to be provided for education, natural disasters, fixing the AMT problem, and extending expiring tax provisions.

"I will not use my authority as Budget Chairman to increase defense spending if it will result in our tapping the Medicare or Social Security Trust Funds," said Conrad. "We must use these Trust Funds to better prepare the nation for the coming tidal wave of baby boom retirements. To do otherwise could jeopardize the long-term fiscal health of the nation."

"This Administration insisted that we could have a massive tax cut, provide for the nation's needs, including new resources for defense, protect the Medicare and Social Security Trust Funds, and still have money left over. Well clearly it miscalculated. This Administration relied on overly

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optimistic budget surplus projections, underestimated the cost of its tax cut, and simply left out huge expenditures such as this defense request.

“Make no mistake about it. I support additional resources for defense. The Democratic budget alternative that I drafted this spring included a \$100 billion increase for defense over the next ten years. But our defense increase was part of a balanced budget plan that fully protected both the Medicare and Social Security Trust Funds.”

During the budget debate, the Bush Administration said that it would not ask for additional resources for defense until Secretary Rumsfeld had completed his National Defense Review and determined how much additional money for defense is needed and how best to use it. But instead of waiting for the review to be completed as promised, the Bush Administration has requested an additional \$18.4 billion for 2002, and Secretary Rumsfeld has indicated that the Defense Department will need at least that much for every year in the foreseeable future.

“If we increase defense spending at the rate suggested by the Administration, and adjust that spending over the next ten years to keep pace with inflation, we may see our use of the Medicare and Social Security Trust Funds in every year from 2002 through 2010. This is unacceptable. So I ask again, how does this Administration plan to pay for this defense increase without dipping into the Medicare and Social Security Trust Funds even further?”

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